MEDPAC Medicare Payment Advisory Commission

MEETING BRIEF

December 9-10, 2004

Pay for performance in Medicare: hospitals, physicians and home health agencies

ISSUE: Evaluating readiness of hospitals, physicians and home health agencies for paying for performance?

KEY POINTS: In 2003, MedPAC began a concerted effort to find ways to align the incentives of Medicare's payment systems with improving the quality of care. In 2004, we examined quality measurement for Medicare Advantage plans and for facilities and physicians that treat dialysis patients and recommended that a portion of payment be linked to quality. We have continued this effort this year by evaluating whether other sectors are ready for similar changes. In this discussion the Commission will consider draft recommendations drawn from the discussions on each setting of care.

The Commission considered four questions to determine whether these sectors were ready for pay for performance:

- Are evidence based, well-accepted measures available?
- Can data be collected in a standardized way without undue burden on providers or CMS?
- Do the measures have adequate risk adjustment?
- Can providers improve the measured performance?

In considering these criteria in each setting, the Commission evaluated measures of process, outcomes, structures, and patient experience. We consulted with a wide range of provider organizations, researchers, quality measurement experts, accreditors, CMS, AHRQ, purchasers and payers. We found many useful measures and identified some that needed more research to be useful in a pay for performance initiative. The Commission also found ways to improve the data that could be available to Medicare.

ACTION: Commissioners should review the paper and its draft recommendations and provide feedback on content and tone. The paper is the basis for a section of a March report chapter.

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